

MANITOWOC CO INC
Form 10-Q/A
March 14, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

ý **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934**

For the quarterly period ended September 30, 2004

or

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934**

For the transition period from to

Commission File Number

1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin

39-0448110

Edgar Filing: MANITOWOC CO INC - Form 10-Q/A

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification Number)

**2400 South 44th Street,
Manitowoc, Wisconsin**
(Address of principal executive offices)

54221-0066
(Zip Code)

(920) 684-4410

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of September 30, 2004, the most recent practicable date, was 26,855,006.

Restatement

The company hereby amends its Form 10-Q (Items 1, 4 and 6) for the quarterly period ended September 30, 2004. This amendment corrects items in the company's Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, and related notes that relate to the accounting treatment of goodwill and other intangibles associated with the Registrant's foreign acquisitions, as described below.

During the course of the audit of our 2004 financial statements, we determined that the accounting treatment of certain of the company's goodwill and other intangibles related to our foreign acquisitions did not comply with the requirements of Statement of Financial Accounting Standards (SFAS) No. 52, Foreign Currency Translation. We maintained the value of goodwill and other intangibles associated with our 2001 and 2002 foreign acquisitions at the historic foreign currency exchange rates in place at the date of the acquisition. We now have concluded that we should have translated these intangible assets into our reporting currency at the exchange rates at each balance sheet date to reflect changes in the applicable foreign currency exchange rates. This amendment restates the company's Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, and related notes included herein to translate these intangible assets at the end of the periods reported to reflect changes in the applicable foreign exchange rates.

The cumulative impact of the error increases the company's intangible asset balance and currency translation adjustment balance within shareholders' equity by \$55.3 million and \$57.6 million as of September 30, 2004 and December 31, 2003, respectively. This change has no impact on the company's historical Consolidated Income Statements or Statements of Cash Flows, its financial debt covenants in prior years, or its previous intangible asset impairment analyses under SFAS No. 142, Goodwill and Other Intangible Assets. This change increases (decreases) comprehensive income by \$4.2 million, \$2.7 million, \$(2.3) million and \$19.4 million for the three months ended September 30, 2004 and 2003, and nine months ended September 30, 2004 and 2003, respectively.

See Note 1, Restatement in our Notes to Consolidated Financial Statements for further information regarding this restatement.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2004 and 2003
(Unaudited)
(In thousands, except per-share and average shares data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net sales	\$ 491,149	\$ 407,156	\$ 1,429,187	\$ 1,181,890
Costs and expenses:				
Cost of sales	395,386	321,746	1,137,033	925,401
Engineering, selling and administrative expenses	63,483	58,756	200,619	184,337
Amortization expense	777	726	2,333	2,153
Restructuring and plant consolidation costs	175	1,180	975	5,910
Total costs and expenses	459,821	382,408	1,340,960	1,117,801
Earnings from operations	31,328	24,748	88,227	64,089
Other expenses:				
Interest expense	(14,283)	(13,663)	(41,748)	(43,680)
Other income (expense), net	28	(338)	266	(306)
Total other expense	(14,255)	(14,001)	(41,482)	(43,986)
Earnings from continuing operations before taxes on income	17,073	10,747	46,745	20,103
Provision for taxes on income	3,994	2,672	12,153	5,228
Earnings from continuing operations	13,079	8,075	34,592	14,875
Discontinued operations:				
Loss from discontinued operations, net of income taxes of \$(153), \$(292), \$(582), and \$(906)	(375)	(877)	(1,575)	(2,088)
Gain (loss) on sale or closure of discontinued operations, net of income taxes of \$254 and \$(1,128)			709	(3,741)
Net earnings	\$ 12,704	\$ 7,198	\$ 33,726	\$ 9,046
Basic earnings per share:				
Earnings from continuing operations	\$ 0.49	\$ 0.30	\$ 1.29	\$ 0.56
Loss from discontinued operations, net of income taxes	(0.01)	(0.03)	(0.06)	(0.08)
Gain (loss) on sale or closure of discontinued operations, net			0.03	(0.14)
Net earnings	\$ 0.47	\$ 0.27	\$ 1.26	\$ 0.34
Diluted earnings per share:				
Earnings from continuing operations	\$ 0.48	\$ 0.30	\$ 1.27	\$ 0.56
	(0.01)	(0.03)	(0.06)	(0.08)

Edgar Filing: MANITOWOC CO INC - Form 10-Q/A

Loss from discontinued operations, net of income taxes								
Gain (loss) on sale or closure of discontinued operations, net				0.03	(0.14)			
Net earnings	\$	0.47	\$	0.27	\$	1.24	\$	0.34
Weighted average shares outstanding -basic		26,774,770		26,548,792		26,719,180		26,544,440
Weighted average shares outstanding -diluted		27,282,807		26,718,724		27,160,903		26,643,304

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC.
Consolidated Balance Sheets
As of September 30, 2004 and December 31, 2003

(Unaudited)
(In thousands, except share data)

	September 30, 2004 (as restated)	December 31, 2003 (as restated)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 52,637	\$ 44,968
Marketable securities	2,242	2,220
Accounts receivable, less allowances of \$29,887 and \$24,419	220,017	245,010
Inventories - net	330,214	232,877
Deferred income taxes	74,304	71,781
Other current assets	47,082	49,233
Total current assets	726,496	646,089
Property, plant and equipment - net	331,608	334,618
Goodwill	438,198	438,925
Other intangible assets - net	145,745	149,256
Deferred income taxes	36,441	34,491
Other non-current assets	85,120	56,770
Total assets	\$ 1,763,608	\$ 1,660,149
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 503,148	\$ 454,394
Current portion of long-term debt	3,229	3,205
Short-term borrowings	17,859	22,011
Product warranties	32,721	33,823
Product liabilities	29,039	31,791
Total current liabilities	585,996	545,224
Non-Current Liabilities:		
Long-term debt, less current portion	562,820	567,084
Pension obligations	51,796	57,239
Postretirement health and other benefit obligations	54,412	54,283
Other non-current liabilities	117,352	80,327
Total non-current liabilities	786,380	758,933
Commitments and contingencies (Note 6)		
Stockholders' Equity:		
Common stock (36,746,482 shares issued, 26,855,006 and 26,572,024 shares outstanding, respectively)	367	367
Additional paid-in capital	84,000	81,297
Accumulated other comprehensive income	36,447	40,800
Unearned compensation	(117)	(328)
Retained earnings	374,518	340,792
Treasury stock, at cost (9,891,476 and 10,174,458 shares, respectively)	(103,983)	(106,936)
Total stockholders' equity	391,232	355,992
Total liabilities and stockholders' equity	\$ 1,763,608	\$ 1,660,149

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2004 and 2003
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2004	2003
Cash Flows from Operations:		
Net earnings	\$ 33,726	\$ 9,046
Adjustments to reconcile net earnings to cash provided by operating activities of continuing operations:		
Discontinued operations, net of income taxes	866	5,829
Depreciation	38,351	33,329
Amortization of intangible assets	2,333	2,153
Amortization of deferred financing fees	2,611	3,125
Restructuring and plant consolidation costs	975	5,910
Deferred income taxes	(5,147)	(702)
Gain on sale of property, plant and equipment	(959)	(272)
Changes in operating assets and liabilities, excluding effects of business acquisitions and divestitures:		
Accounts receivable	14,292	14,450
Inventories	(130,442)	(10,392)
Other current assets	(19,437)	9,459
Accounts payable and accrued expenses	70,399	13,613
Other liabilities	(5,906)	8,491
Net cash provided by operating activities of continuing operations	1,662	94,039
Net cash used for operating activities of discontinued operations	(2,574)	(312)
Net cash provided by (used for) operating activities	(912)	93,727
Cash Flows from Investing:		
Capital expenditures	(27,446)	(22,249)
Proceeds from sale of property, plant and equipment	6,502	10,709
Sale (purchase) of marketable securities	(22)	153
Net cash used for investing activities of continuing operations	(20,966)	(11,387)
Net cash provided by investing activities of discontinued operations	9,000	2,289
Net cash used for investing activities	(11,966)	(9,098)
Cash Flows from Financing:		
Payments on long-term debt	(17,852)	(55,194)
Proceeds from long-term debt	8,259	
Payments on revolver borrowings - net		(2,000)
Proceeds from notes financing	27,116	
Debt issuance costs		(1,977)
Exercises of stock options	5,656	95
Net cash provided by (used for) financing activities	23,179	(59,076)
Effect of exchange rate changes on cash	(2,632)	1,925
Net increase in cash and cash equivalents	7,669	27,478
Balance at beginning of period	44,968	28,035
Balance at end of period	\$ 52,637	\$ 55,513

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Comprehensive Income
For the Three and Nine Months Ended September 30, 2004 and 2003
(Unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004 (as restated)	2003 (as restated)	2004 (as restated)	2003 (as restated)
Net earnings	\$ 12,704	\$ 7,198	\$ 33,726	\$ 9,046
Other comprehensive income (loss)				
Derivative instrument fair market value adjustment - net of income taxes	530	(277)	(36)	485
Foreign currency translation adjustments	4,701	2,501	(4,317)	26,808
Total other comprehensive income (loss)	5,231	2,224	(4,353)	27,293
Comprehensive income	\$ 17,935	\$ 9,422	\$ 29,373	\$ 36,339

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC.
Notes to Unaudited Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2004 and 2003

1. Restatement

During the course of the audit of our 2004 financial statements, we determined that the accounting treatment of certain of the company's goodwill and other intangibles related to our foreign acquisitions did not comply with the requirements of Statement of Financial Accounting Standards (SFAS) No. 52, Foreign Currency Translation. We maintained the value of goodwill and other intangibles associated with our 2001 and 2002 foreign acquisitions at the historic foreign currency exchange rates in place at the date of the acquisition. We now have concluded that we should have translated these intangible assets into our reporting currency at the exchange rates at each balance sheet date to reflect changes in the applicable foreign currency exchange rates. This amendment restates the company's Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, and related notes included herein to translate these intangible assets at the end of the periods reported to reflect changes in the applicable foreign exchange rates.

The cumulative impact of the error increases the company's intangible asset balance and currency translation adjustment balance within shareholders' equity by \$55.3 million and \$57.6 million as of September 30, 2004 and December 31, 2003, respectively. This change has no impact on the company's historical Consolidated Income Statements or Statements of Cash Flows, its financial debt covenants in prior years, or its previous intangible asset impairment analyses under SFAS No. 142, Goodwill and Other Intangible Assets. This change increases (decreases) comprehensive income by \$4.2 million \$2.7 million, \$(2.3) million and \$19.4 million for the three months ended September 30, 2004 and 2003, and nine months ended September 30, 2004 and 2003, respectively.

The following table shows the impact of the restatement on the effected components of the Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income.

	As Restated		As Reported	
	2004	2003	2004	2003
Consolidated Balance Sheets				
Goodwill	\$ 438,198	\$ 438,925	\$ 406,586	\$ 406,233
Other intangible assets net	\$ 145,745	\$ 149,256	\$ 122,047	\$ 124,380
Accumulated other comprehensive income (loss)	\$ 36,447	\$ 40,800	\$ (18,863)	\$ (16,768)

	As Restated		As Reported		As Restated		As Reported	
	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Consolidated Statements of Comprehensive Income								
Foreign currency translation adjustment	\$ 4,701	\$ 2,501	\$ 524	\$ (172)	\$ (4,317)	\$ 26,808	\$ (2,059)	\$ 7,445

Comprehensive income	\$	17,935	\$	9,422	\$	13,758	\$	6,749	\$	29,373	\$	36,339	\$	31,631	\$	16,976
----------------------	----	--------	----	-------	----	--------	----	-------	----	--------	----	--------	----	--------	----	--------

2. Accounting Policies

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the results of operations, cash flows and comprehensive income for the three and nine months ended September 30, 2004 and 2003 and the financial position at September 30, 2004. The interim results are not necessarily indicative of results for a full year and do not contain information included in the company's annual consolidated financial statements and notes for the year ended December 31, 2003. The consolidated balance sheet as of December 31, 2003 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the company's latest annual report.

All dollar amounts, except per share amounts, are in thousands of dollars throughout the tables included in these notes unless otherwise indicated.

Certain prior period amounts have been reclassified to conform to the current period presentation.

3. Discontinued Operations

During the second quarter of 2004, the company completed the sale of its wholly-owned subsidiary, Delta Manlift SAS (Delta), to JLG Industries, Inc. Headquartered in Tonneins, France, Delta manufactures the Toucan brand of vertical mast lifts, a line of aerial work platforms distributed throughout Europe for use principally in industrial and maintenance operations. The company received \$9.0 million for Delta and certain other assets of the company's Aerial Work Platform (AWP) businesses. As a result of the sale and additional reserves for the closures of the other AWP businesses, the company recorded a \$1.0 million pre-tax gain (\$0.7 million net of taxes). This gain is recorded in gain (loss) on sale or closure of discontinued operations, net of income taxes in the Consolidated Statements of Operations. During December 2003, the company completed plans to restructure its AWP businesses. The restructuring included the closure of the Potain GmbH (Liftlux) facility in Dilingen, Germany and discontinuation of U.S. Manlift production at the Shady Grove, Pennsylvania facility. With the sale of Delta and the closure of the Liftlux and U.S. Manlift operations, the company no longer participates in the aerial work platform market, other than providing aftermarket parts and service support. The sale of Delta, closure of Liftlux and discontinuation of the U.S. Manlift production represent discontinued operations under Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Results of these companies for the three and nine months ended September 30, 2004 and 2003 have been classified as discontinued to exclude the results from continuing operations. In addition, during 2003 the company recorded a \$13.7 million pre-tax loss (\$11.1 million net of taxes) for the closure of the AWP businesses. This charge included the following: \$4.9 million to write-off goodwill related to the AWP businesses (recorded in the second quarter of 2003); \$3.5 million to record a reserve for the present value of future non-cancelable operating lease obligations (recorded in the fourth quarter of 2003); \$3.1 million to write-down inventory to estimated realizable value (recorded in the fourth quarter of 2003); and \$2.2 million for other closure costs (recorded in the fourth quarter of 2003). The \$4.9 million pre-tax charge (\$3.6 million net of taxes) recorded in the second quarter of 2003 to write-off goodwill related to the AWP business was recorded in gain (loss) on sale or closure of discontinued operations, net of income taxes in the Consolidated Statement of Operations.

The following selected financial data of the AWP businesses for the three and nine months ended September 30, 2004 and 2003 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the businesses operated as a stand-alone entity. There were no general corporate expenses or interest expense allocated to discontinued operations for these businesses during the periods presented.

Edgar Filing: MANITOWOC CO INC - Form 10-Q/A

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net sales	\$ 98	\$ 11,528	\$ 14,761	\$ 35,961
Pretax loss from discontinued operation	\$ (437)	\$ (1,195)	\$ (1,646)	\$ (3,235)
Pretax gain (loss) on sale or closure of discontinued operation			817	(4,900)
Benefit for taxes on income	(127)	(299)	(223)	(2,116)
Loss from discontinued operation, net of income taxes	\$ (310)	\$ (896)	\$ (606)	\$ (6,019)

During the fourth quarter of 2003, the company terminated its distributor agreement with North Central Crane & Excavator Sales Corporation (North Central Crane), a wholly-owned crane distributor. The company entered into a new distributor agreement with an independent third party for the area previously covered by North Central Crane. The termination of North Central Crane represents a discontinued operation under SFAS No. 144, as this was the company's only wholly-owned domestic crane distributor. Results of this subsidiary for the three and nine months ended September 30, 2004 and 2003 have been classified as discontinued to exclude the results from continuing operations. During the fourth quarter of 2003, the company recorded a \$1.1 million pre-tax loss (\$0.9 million net of taxes), primarily for a loss on sale of inventory to the new independent third party distributor.

The following selected financial data of North Central Crane for the three and nine months ended September 30, 2004 and 2003 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the business operated as a stand-alone entity. There were no general corporate expenses or interest expense allocated to discontinued operations for this subsidiary during the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net sales	\$ 507	\$ 3,614	\$ 3,068	\$ 17,398
Pretax earnings (loss) from discontinued operation	\$ (91)	\$ 26	\$ (365)	\$ 370
Provision (benefit) for taxes on income (loss)	(26)	7	(105)	96
Earnings (loss) from discontinued operation, net of income taxes	\$ (65)	\$ 19	\$ (260)	\$ 274

During the second quarter of 2003, the company and Quantum Heavy Equipment, LLC (Quantum) agreed in principle to a final post-closing adjustment for the sale of Manitowoc Boom Trucks, Inc. (Manitowoc Boom Trucks). The agreement resulted in the company paying \$4.7 million to Quantum. Payment of the final post-closing adjustment was made during the third quarter of 2003. This payment was largely the result of the reduction in working capital of Manitowoc Boom Trucks from September 30, 2002 to December 31, 2002 for which the company already received the cash. The agreement resulted in the company recording an additional charge for the sale of Manitowoc Boom Trucks of approximately \$0.6 million (\$0.4 million net of tax) during the second quarter of 2003. This charge is recorded in gain (loss) on sale or closure of discontinued operations, net of income taxes, in the Consolidated Statement of Operations.

The following selected financial data of Manitowoc Boom Trucks for the nine months ended September 30, 2003 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the business operated as a stand-alone entity. There was no activity related to Manitowoc Boom Trucks subsequent to the quarter ended June 30, 2003. There were no general corporate expenses or interest expense allocated to discontinued operations for this subsidiary for the period presented.

Edgar Filing: MANITOWOC CO INC - Form 10-Q/A

	Nine Months Ended September 30, 2003	
Net sales	\$	
Pretax loss on sale of discontinued operation	\$	(584)
Benefit for taxes on loss		(179)
Loss from sale of discontinued operation, net of income taxes	\$	(405)

On February 14, 2003, the company finalized the sale of Femco Machine Company, Inc. (Femco), the Crane segments crane and excavator aftermarket replacement parts and industrial repair business, to a group of private investors led by Femco management and its employees. Cash proceeds from the sale of Femco were approximately \$7.0 million, which includes \$0.4 million of cash received by the company for post-closing adjustments, and resulted in a gain on sale of approximately \$0.4 million (\$0.3 million net of taxes). The disposition of Femco represents a discontinued operation under SFAS No. 144. Results of Femco for the period from January 1, 2003 through February 14, 2003 have been classified as discontinued to exclude the results from continuing operations.

The following selected financial data of Femco for the period from January 1, 2003 through February 14, 2003 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the business operated as a stand-alone entity. There was no activity related to Femco subsequent to the quarter ended March 31, 2003. There were no general corporate expenses or interest expense allocated to discontinued operations for this subsidiary for the period presented.

	Nine Months Ended September 30, 2003	
Net sales	\$	2,178
Pretax earnings from discontinued operation	\$	47
Pretax gain on sale of discontinued operation		439
Provision for taxes on income		165
Earnings from discontinued operation, net of income taxes	\$	321

4. Inventories

The components of inventory at September 30, 2004 and December 31, 2003 are summarized as follows:

	September 30, 2004		December 31, 2003	
Inventories - gross:				
Raw materials	\$	108,517	\$	89,851
Work-in-process		100,628		81,378
Finished goods		175,096		120,565
Total inventories - gross		384,241		291,794
Excess and obsolete inventory reserve		(35,145)		(40,299)
Net inventories at FIFO cost		349,096		251,495
Excess of FIFO costs over LIFO value		(18,882)		(18,618)
Inventories - net	\$	330,214	\$	232,877

Inventory is carried at lower of cost or market using the first-in, first-out (FIFO) method for 90% and 88% of total inventory at September 30, 2004 and December 31, 2003, respectively. The remainder of the inventory is costed using the last-in, first-out (LIFO) method.

5. Stock-Based Compensation

The company accounts for its stock options under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost related to stock options is reflected in earnings, as all option grants under those plans have an exercise price equal to the market value of the underlying common stock on the date of grant. For the three months ended September 30, 2004 and 2003, the company recognized approximately \$0.1 million of compensation expense related to restricted stock. For the nine months ended September 30, 2004 and 2003, the company recognized approximately \$0.2 million of compensation expense related to restricted stock. The following table illustrates the effect on net earnings and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, to employee stock option compensation for the three and nine months ended September 30, 2004 and 2003.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Reported net earnings	\$ 12,704	\$ 7,198	\$ 33,726	\$ 9,046
Deduct: Total stock option-based employee compensation expense determined under fair value based method for all awards, net of income taxes	(1,239)	(1,208)	(3,722)	(3,504)
Pro forma net earnings	\$ 11,465	\$ 5,990	\$ 30,004	\$ 5,542
Earnings per share:				
Basic - as reported	\$ 0.47	\$ 0.27	\$ 1.26	\$ 0.34
Basic - pro forma	\$ 0.43	\$ 0.23	\$ 1.12	\$ 0.21
Diluted - as reported	\$ 0.47	\$ 0.27	\$ 1.24	\$ 0.34
Diluted - pro forma	\$ 0.42	\$ 0.22	\$ 1.10	\$ 0.21

6. Contingencies and Significant Estimates

The company has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act (CERLA) in connection with the Lemberger Landfill Superfund Site near Manitowoc, Wisconsin. Eleven of the approximately 150 potentially responsible parties, including the company, have formed the Lemberger Site Remediation Group and have successfully negotiated with the United States Environmental Protection Agency and the Wisconsin Department of Natural Resources to fund the cleanup and settle their potential liability at this site. Estimates indicate that the total costs to clean up this site are approximately \$30 million. However, the ultimate allocations of costs for this site are not yet final. Although liability is joint and several, the company's share of the liability is estimated to be 11% of the total cost. Prior to December 31, 1996, the company accrued \$3.3 million in connection with this matter. The amounts the company have spent each year through September 30, 2004 to comply with its portion of the cleanup costs have not been material. Remediation work at the site has been substantially completed, with only long-term pumping and treating of groundwater and site maintenance remaining. The company's remaining estimated liability for this matter, included in other current liabilities in the Consolidated Balance Sheet at September 30, 2004 is \$0.8 million. Based on the size of the company's current allocation of liabilities at this site, the existence of other viable potential responsible parties and current reserve, the company does not believe that any liability imposed in connection with this site will have a material adverse effect on its financial condition, results of operations, or cash flows.

At certain of the company's other facilities, the company has identified potential contaminants in soil and groundwater. The ultimate cost of any remediation required will depend upon the results of future investigation. Based upon available information, the company does not expect that the ultimate costs will have a material adverse effect on its financial condition, results of operations, or cash flows.

Edgar Filing: MANITOWOC CO INC - Form 10-Q/A

The company believes that it has obtained and is in substantial compliance with those material environmental permits and approvals necessary to conduct its various businesses. Based on the facts presently known, the company does not expect environmental compliance costs to have a material adverse effect on its financial condition, results of operations, or cash flows.

As of September 30, 2004, various product-related lawsuits were pending. To the extent permitted under applicable law, all of these are insured with self-insurance retention levels. The company's self-insurance retention levels vary by business, and have fluctuated over the last five years. The range of the company's self-insured retention levels is \$0.1 million to \$3.0 million per occurrence. The high-end of the company's self-insurance retention level is a legacy product liability insurance program inherited with the acquisition of Grove Investors, Inc. (Grove) in 2002 for cranes manufactured in the United States for occurrences from 2000 through October 2002. As of September 30, 2004, the largest self-insured retention level currently maintained by the company is \$2.0 million per occurrence and applies to product liability claims for cranes manufactured in the United States.

Product liability reserves in the Consolidated Balance Sheet at September 30, 2004 were \$29.0 million; \$6.8 million reserved specifically for cases and \$22.2 million for claims incurred but not reported which were estimated using actuarial methods. Based on the company's experience in defending product liability claims, management believes the current reserves are adequate for resolution of aggregate self-insured claims and insured claims incurred as of September 30, 2004. Any recoveries from insurance carriers are dependent upon the legal sufficiency of claims and solvency of insurance carriers.

At September 30, 2004 and December 31, 2003, the company had reserved \$40.8 million and \$41.7 million, respectively, for warranty claims included in product warranties and other non-current liabilities in the Consolidated Balance Sheets. Certain of these warranties and other related claims involve matters in dispute that ultimately are resolved by negotiations, arbitration, or litigation.

It is reasonably possible that the estimates for environmental remediation, product liability and warranty costs may change in the near future based upon new information that may arise or matters that are beyond the scope of the company's historical experience. Presently, there are no reliable methods to estimate the amount of any such potential changes.

The company is involved in numerous lawsuits involving asbestos-related claims in which the company is one of numerous defendants. After taking into consideration legal counsel's evaluation of such actions, the current political environment with respect to asbestos related claims, and the liabilities accrued with respect to such matters, in the opinion of management, ultimate resolution is not expected to have a material adverse effect on the financial condition, results of operations, or cash flows of the company.

The company is also involved in various legal actions arising out of the normal course of business. Taking into account the liabilities accrued and legal counsel's evaluation of such actions, in the opinion of management the ultimate resolution of these actions is not expected to have a material adverse effect on the company's financial condition, results of operations, or cash flows.

Currently, the company is in negotiations with one of its major Marine customers due to cost overruns from change orders on a contract. The company estimates its overruns have been approximately \$10.0 million. The company has assumed this recovery in accounting for this long-term contract, as it believes that the claim will result in additional contract revenue and the amount can be reliably estimated. If negotiations are unsuccessful, the impact on the company's Consolidated Statement of Operations in a future period could be material. Unfavorable resolution will not have any effect on the company's future cash flows.

At September 30, 2004, the company is contingently liable under open standby letters of credit issued by the company's bank in favor of third parties totaling \$29.1 million. The open standby letters of credit primarily related to business in the Marine segment.

7. Loss on Debt Extinguishment

During the third quarter of 2004, the company recorded a charge of \$0.5 million (\$0.4 million net of income taxes) related to the prepayment of the term loan B portion of its senior credit facility. The loss relates to the write-off of unamortized financing fees and unwinding of the company's floating-to-fixed interest rate swap. In addition, during the first quarter of 2004, the company recorded a charge of \$0.6 million (\$0.4 million net of income taxes) related to the partial prepayment of the term loan B portion of its senior credit facility. The loss also relates to the write-off of unamortized financing fees and partial unwinding of the company's floating-to-fixed interest rate swap. Both of these charges were recorded in other income (expense), net in the Consolidated Statement of Operations.

8. Earnings Per Share

The following is a reconciliation of the average shares outstanding used to compute basic and diluted earnings per share.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Basic weighted average common shares outstanding	26,774,770	26,548,792	26,719,180	26,544,440
Effect of dilutive securities - stock options and restricted stock	508,037	169,932	441,723	98,864
Diluted weighted average common shares outstanding	27,282,807	26,718,724	27,160,903	26,643,304

For the three and nine months ended September 30, 2004, 0.2 million of common shares issuable upon the exercise of stock options, and for the three and nine months ended September 30, 2003, 1.3 million of common shares issuable upon the exercise of stock options, were anti-dilutive and were excluded from the calculation of diluted earnings per share.

9. Guarantees

The company periodically enters into transactions with customers that provide for residual value guarantees and buyback commitments. These transactions are recorded as operating leases for all significant residual value guarantees and for all buyback commitments. These initial transactions are recorded as deferred revenue and are amortized to income on a straight-line basis over a period equal to that of the customer's third party financing agreement. The deferred revenue included in other current and other non-current liabilities at September 30, 2004 and December 31, 2003 was \$104.7 million and \$75.2 million, respectively. The total amount of residual value guarantees given by the company and outstanding at September 30, 2004 was \$54.5 million which assumes full loss against these guarantees. If all buyback commitments were satisfied at September 30, 2004, the total cash cost to the company would be \$60.0 million. This amount is not reduced for amounts the company may recover from repossessing and subsequent resale of the units.

The residual value guarantees and buyback commitments expire at various times through 2009.

During the second and third quarter of 2004, the company sold \$11.3 million and \$17.3 million, respectively of its long term notes receivable to third party financing companies. The company fully guarantees collection of the notes to the financing companies. The company has accounted for the sales of the notes as a financing of receivables. The receivables remain on the company's Consolidated Balance Sheet in other non-current assets and the company has recognized an obligation equal to the notes in other non-current liabilities in the Consolidated Balance Sheet as of September 30, 2004. The cash flow benefit of these transactions are reflected as proceeds from notes financing in the Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2004.

The company also has an accounts receivable factoring arrangement with a bank. Under this arrangement, the company is required to repurchase from the bank the first \$0.5 million and amounts greater than \$1.0 million of the aggregate uncollected receivables during a twelve-month period. The company's contingent factoring liability, net of cash collected from customers was \$25.6 million and \$22.4 million at September 30, 2004 and December 31, 2003, respectively.

Edgar Filing: MANITOWOC CO INC - Form 10-Q/A

In the normal course of business, the company provides its customers a warranty covering workmanship, and in some cases materials, on products manufactured by the company. Such warranty generally provides that products will be free from defects for periods ranging from 12 months to 60 months. If a product fails to comply with the company's warranty, the company may be obligated, at its expense, to correct any defect by repairing or replacing such defective products. The company provides for an estimate of costs that may be incurred under its warranty at the time product revenue is recognized. These costs primarily include labor and materials, as necessary, associated with repair or replacement. The primary factors that affect the company's warranty liability include the number of units shipped and historical and anticipated warranty claims. As these factors are impacted by actual experience and future expectations, the company assesses the adequacy of its recorded warranty liability and adjusts the amounts as necessary. Below is a table summarizing the warranty activity for the nine months ended September 30, 2004.

Balance at December 31, 2003	\$	41,770
Accruals for warranties issued during the nine months		18,193
Settlements made (in cash or in kind) during the six months		(18,919)
Currency translation		(196)
Balance at September 30, 2004	\$	40,848

10. Restructuring and Plant Consolidation

On January 1, 2003, the company adopted SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. SFAS No. 146 requires that a liability for certain costs associated with an exit or disposal activity be recognized when the liability is incurred. During the three and nine months ended September 30, 2004, the company incurred approximately \$0.2 million and \$1.0 million, respectively, of restructuring costs related to the consolidation of its European crane facilities under programs implemented in 2003. These charges have been included in restructuring and plant consolidation costs in the Consolidated Statement of Operations for the three and nine months ended September 30, 2004.

During the three and nine months ended September 30, 2003, the company recorded charges of \$1.2 million and \$5.9 million, respectively, to write-down certain facilities to estimated fair value less cost to sell, as a result of consolidation of certain Crane segment operations (\$4.2 million) and other restructuring related charges at its crane facilities. These charges have been included in restructuring and plant consolidation costs in the Consolidated Statement of Operations for the three and nine months ended September 30, 2003.

During the second quarter of 2003 the company completed its plans to consolidate the National Crane Corporation (National Crane) facility located in Nebraska to the Grove U.S. LLC facility located in Pennsylvania (Grove facility). As a result, the company recorded a \$12.4 million charge in the opening balance sheet of Grove Investors, Inc. (Grove). The actions to consolidate the National Crane facility with the Grove facility were taken in an effort to streamline the company's cost structure and utilize available capacity at the Grove facility. The charge included \$3.7 million related to severance and other employee related costs for workforce reductions. Approximately 290 hourly and salaried positions were eliminated with the consolidation. The charge also included \$6.8 million to write-down the National Crane facility and land to estimated fair market value less cost to sell, to prepare the facility for sale and to write-down certain machinery and equipment which was not relocated to the Grove facility. In addition, the company recorded reserves of \$1.2 million to write-off inventory which was acquired in the Grove acquisition and was not relocated, and \$0.7 million for other consolidation costs. Of the \$12.4 million recorded for the consolidation of the National Crane facility, approximately \$6.2 million were non-cash-related charges. The majority of the cash related portion of the restructuring reserve has been used as of September 30, 2004.

During the first quarter of 2002, the company recorded a pre-tax restructuring charge of \$3.9 million in connection with the consolidation of its Multiplex operations into other of its Foodservice operations. These actions were taken in an effort to streamline the company's cost structure and utilize available capacity. The charge included \$2.8 million to write-down the facility and land, which were held for sale, to estimated fair market value less cost to sell, \$0.7 million related to the write-down of certain equipment, and \$0.4 million related to severance and other employee related costs. The entire charge was paid or used by December 31, 2002. During the fourth quarter of 2003, the company recorded an additional charge related to the Multiplex facility and land of \$0.3 million. This charge was recorded in plant consolidation and restructuring costs in the Consolidated Statement of Operations for the year ended December 31, 2003. During the first quarter of 2004, the company completed the sale of the building and land. The company received proceeds of \$2.7 million from the sale.

During the second quarter of 2002, the company finalized the purchase accounting for the acquisition of Potain SA (Potain), which included recording an \$8.1 million liability associated with certain restructuring and integration activities. To achieve reductions in operating costs and to integrate the operations of Potain, the company recorded an \$8.1 million liability related primarily to employee severance benefits for workforce reductions. Approximately 135 hourly and salaried positions were eliminated. To date the company has used approximately \$4.4 million of this

liability. The remainder of this reserve will be used through 2006 based upon the underlying contractual arrangements.

During the fourth quarter of 2002, the company completed certain integration activities related to the Grove acquisition and other restructuring activities in the Crane segment. The total amount recognized by the company for these integration and restructuring activities was \$12.1 million. Of this amount \$4.4 million was recorded in the opening balance sheet of Grove and \$7.7 million was recorded as a charge to earnings during the fourth quarter of 2002. These actions were taken in an effort

to achieve reductions in operating costs, integrate and consolidate certain operations and functions within the segment and to utilize available capacity.

The \$4.4 million recorded in Grove's opening balance sheet related to severance and other employee related costs for headcount reductions at various Grove facilities. The \$7.7 million charge included \$4.0 million related to severance and other employee related costs for headcount reductions at various Manitowoc and Potain facilities, \$2.7 million related to the write-down of certain property, plant and equipment, and \$1.0 million related to lease termination costs. In total, approximately 600 hourly and salaried positions were eliminated and four facilities were consolidated into other Crane operations. To date, the company has used approximately \$9.6 million of the total \$12.1 million reserve which includes \$2.7 million non-cash write-down of property, plant and equipment, and \$6.9 million cash paid to employees for severance. The remaining \$2.5 million reserve is recorded in accounts payable and accrued expenses in the Consolidated Balance Sheet and will be used by the company during the remainder of 2004.

11. Employee Benefit Plans

The company provides certain pension, health care and death benefits for eligible retirees and their dependents. The pension benefits are funded, while the health care and death benefits are not funded but are paid as incurred. Eligibility for coverage is based on meeting certain years of service and retirement qualifications. These benefits may be subject to deductibles, co-payment provisions, and other limitations. The company has reserved the right to modify these benefits.

The components of periodic benefit costs for the three and nine months ended September 30, 2004 and 2003 are as follows:

	Three Months Ended September 30, 2004			Nine Months Ended September 30, 2004		
	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Health and Other Plans	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Health and Other Plans
Service cost - benefits earned during the period	\$	\$ 284	\$ 116	\$	\$ 853	\$ 558
Interest cost of projected benefit obligations	1,582	958	539	4,747	2,875	2,274
Expected return on plan assets	(1,548)	(696)		(4,643)	(2,087)	
Amortization of transition obligation	3			8		
Amortization of prior service costs	1			2		
Amortization of actuarial net (gain) loss	21	(16)	11	64	(49)	48
Net periodic benefit costs	\$ 59	\$ 530	\$ 666	\$ 178	\$ 1,592	\$ 2,880
Weighted average assumptions:						
Discount rate	6.25%	5.25%	6.25%	6.25%	5.25%	6.25%
Expected return on plan assets	8.50%	5.25%	N/A	8.50%	5.25%	N/A
Rate of compensation increase	N/A	3.50%	N/A	N/A	3.50%	N/A

Edgar Filing: MANITOWOC CO INC - Form 10-Q/A

	Three Months Ended September 30, 2003			Nine Months Ended September 30, 2003		
	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Health and Other Plans	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Health and Other Plans
Service cost - benefits earned during the period	\$ 112	\$ 319	\$ 396	\$ 336	\$ 956	\$ 1,187
Interest cost of projected benefit obligations	1,565	839	1,326	4,694	2,517	3,977
Expected return on plan assets	(1,273)	(534)		(3,819)	(1,601)	
Amortization of transition obligation	3			8		
Amortization of prior service costs	1			2		
Amortization of actuarial net (gain) loss	23	(10)	91	69	(29)	272
Net periodic benefit costs	\$ 431	\$ 614	\$ 1,813	\$ 1,290	\$ 1,843	\$ 5,436
Weighted average assumptions:						
Discount rate	6.75%	5.75%	6.75%	6.75%	5.75%	6.75%
Expected return on plan assets	9.00%	5.50%	N/A	9.00%	5.50%	N/A
Rate of compensation increase	4.00%	3.00%	N/A	4.00%	3.00%	N/A

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The company's postretirement medical benefit plans provide for a prescription drug benefit. All disclosed measures of the net periodic benefit cost of the company's postretirement medical benefit plans were adjusted to reflect the amount associated with the subsidy as the company concluded during the third quarter of 2004 the benefits provided by the plan are actuarially equivalent to the Medicare Part D benefit under the Act. As a result of the Act, the company's net periodic benefit costs for its postretirement medical benefit plans was reduced by \$0.3 million for 2004.

The expected 2004 contributions for the U.S. pension plans are as follows: minimum contribution for 2004 is \$5.4 million; and discretionary contribution is \$0. The company expects to pay claims for postretirement health and other benefit plans of \$4.2 million during 2004.

12. Legal Settlement

During the first quarter of 2004, the company reached a settlement agreement with a third party and recorded a \$2.3 million gain, net of legal and settlement costs, in other income (expense) in the Consolidated Statement of Operations.

13. Goodwill and Other Intangible Assets

The tables below have been restated for the impact of changes in foreign exchange rates on the company's goodwill and other intangible assets

Edgar Filing: MANITOWOC CO INC - Form 10-Q/A

The changes in carrying amount of goodwill by reportable segment for the year ended December 31, 2003 and nine months ended September 30, 2004 are as follows:

	Cranes and Related Products (as restated)	Foodservice Equipment	Marine	Total (as restated)
Balance as of January 1, 2003	\$ 162,157	\$ 185,808	\$ 47,417	\$ 395,382
Grove purchase accounting, net	30,173			30,173
Manitowoc Foodservice Europe purchase accounting, net		678		678
Potain purchase accounting, net	(1,021)			(1,021)
Impairment charge AWP	(4,900)			(4,900)
Foreign currency impact	18,613			18,613
Balance as of December 31, 2003	205,022	186,486	47,417	438,925
Foreign currency impact	(727)			(727)
Balance as of September 30, 2004	\$ 204,295	\$ 186,486	\$ 47,417	\$ 438,198

During 2003, the company completed the purchase accounting related to the Grove acquisition and the company recorded

Edgar Filing: MANITOWOC CO INC - Form 10-Q/A

\$30.2 million of purchase accounting adjustments to the August 8, 2002 Grove opening balance sheet. The purchase accounting adjustments related to the following: \$13.2 million to finalize the accounting for deferred income taxes, related primarily to the non-U.S. Grove operations; \$12.4 million for consolidation of the National Crane facility located in Nebraska to the Grove facility located in Pennsylvania (see further detail in Note 10, Restructuring and Plant Consolidation); \$2.1 million, \$0.5 million and \$1.5 million for additional accounts receivable, inventory and warranty reserves, respectively; \$0.9 million related to severance and other employee related headcount reductions at the Grove facilities in Europe (see further detail in Note 10, Restructuring and Plant Consolidation); \$2.0 million of pension curtailment gain as a result of the closing of the National Crane facility located in Nebraska (reduction of goodwill); and \$1.6 million for other purchase accounting related items.

During 2003, the company completed the purchase accounting related to Manitowoc Foodservice Europe S.r.l. (f/k/a Fabbrica Apparecchiature per la Produzione del Ghiaccio Srl). The purchase accounting adjustments resulted in recording \$0.7 million of additional reserves to the April 8, 2002 opening balance sheet.

During the fourth quarter of 2003, the company reversed a valuation allowance of approximately \$1.0 million of foreign operating loss carryforwards acquired in the Potain acquisition. This reversal reduced goodwill accordingly.

During the second quarter of 2003, the company completed its annual impairment analysis of goodwill and other intangible assets in accordance with SFAS No. 142, Goodwill and Other Intangible Assets. As a result, the company recorded a goodwill impairment charge of \$4.9 million. This charge related to the company's AWP reporting unit, now reported in discontinued operations. The charge was based on economic conditions in this reporting unit at the time. The fair value of this reporting unit was based on management's estimates of future cash flows.

The gross carrying amount and accumulated amortization of the company's intangible assets other than goodwill, all as a result of the Potain and Grove acquisitions, were as follows as of September 30, 2004 and December 31, 2003.

	September 30, 2004			December 31, 2003		
	Gross Carrying Amount (as restated)	Accumulated Amortization	Net Book Value (as restated)	Gross Carrying Amount (as restated)	Accumulated Amortization	Net Book Value (as restated)
Trademarks and tradenames	\$ 94,340	\$	\$ 94,340	\$ 94,800	\$	\$ 94,800
Patents	28,408	(4,987)	23,421	28,843	(3,383)	25,460
Engineering drawings	10,069	(2,266)	7,803	10,253	(1,537)	8,716
Distribution network	20,181		20,181	20,280		20,280
	\$ 152,998	\$ (7,253)	\$ 145,745	\$ 154,176	\$ (4,920)	\$ 149,256

14. Recent Accounting Changes and Pronouncements

During December 2003, the Financial Accounting Standards Board (FASB) revised SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits, to require additional disclosure about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. These disclosure requirements were effective immediately for the company's domestic plans, except for estimated future benefit payments, which are effective for the company on December 31, 2004. This statement also requires interim-period disclosures of the components of net periodic benefit cost and, if significantly different from previously disclosed amounts, the amount of contributions and projected contributions to fund pension plans and other postretirement benefit plans. These interim-period disclosures were effective in the first quarter of 2004.

In January 2003, the FASB issued FIN No. 46, Consolidation of Variable Interest Entities. FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A variable interest entity is required to be consolidated by the company that has a majority of the exposure to expected losses of the variable interest entity. The consolidation provisions of FIN No. 46, as revised, were effective immediately for interests created after January 31, 2003 and were effective on March 31, 2004 for interests created before February 1, 2003. The adoption of FIN No. 46 did not have an impact on the company's Consolidated Financial Statements for the year ended December 31, 2003 for interests created after January 31, 2003 or on the company's Consolidated Financial Statements for the three and nine months ended September 30, 2004 for interests created before February 1, 2003.

15. Subsidiary Guarantors of Senior Subordinated Notes due 2011 and 2012 and Senior Notes due 2013

The Condensed Consolidating Balance Sheets as of September 30, 2004 and December 31, 2003 have been restated for the impact of changes in foreign exchange rates on the company's goodwill, other intangible assets and stockholders' equity.

The following tables present condensed consolidating financial information for (a) the parent company, The Manitowoc Company, Inc. (Parent); (b) on a combined basis, the guarantors of the Senior Subordinated Notes due 2011 and 2012 and the Senior Notes due 2013, which include substantially all of the domestic wholly owned subsidiaries of the company (Subsidiary Guarantors); and (c) on a combined basis, the wholly and partially owned foreign subsidiaries of the company, which do not guarantee the Senior Subordinated Notes due 2011 and 2012 and the Senior Notes due 2013 (Non-Guarantor Subsidiaries). Separate financial statements of the Subsidiary Guarantors are not presented because the guarantors are fully and unconditionally, jointly and severally liable under the guarantees, and the company believes such separate statements or disclosures would not be useful to investors.

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2004
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 330,711	\$ 206,747	\$ (46,309)	\$ 491,149
Costs and expenses:					
Cost of sales		265,478	176,217	(46,309)	395,386
Engineering, selling and administrative expense	4,673	34,000	24,810		63,483
Amortization expense		172	605		777
Restructuring and plant consolidation costs		1	174		175
Total costs and expenses	4,673	299,651	201,806	(46,309)	459,821
Earnings (loss) from operations	(4,673)	31,060	4,941		31,328
Other income (expense):					
Interest expense	(12,791)	(481)	(1,011)		(14,283)
Management fee income (expense)	4,809	(4,809)			
Other income (expense), net	9,313	(5,461)	(3,824)		28
Total other income (expense)	1,331	(10,751)	(4,835)		(14,255)
Earnings (loss) from continuing operations before taxes on income (loss) and equity in earnings of subsidiaries and discontinued operations	(3,342)	20,309	106		17,073
Provision (benefit) for taxes on income	(713)	4,333	374		3,994
Earnings (loss) from continuing operations before equity in earnings of subsidiaries and discontinued operations	(2,629)	15,976	(268)		13,079
Equity in earnings of subsidiaries	15,399			(15,399)	
	12,770	15,976	(268)	(15,399)	13,079

Edgar Filing: MANITOWOC CO INC - Form 10-Q/A

Earnings (loss) from continuing operations before discontinued operations							
Discontinued operations:							
Loss from discontinued operations, net of income taxes		(66)		(96)		(213)	(375)
Net earnings (loss)	\$	12,704	\$	15,880	\$	(481)	(15,399)
						\$	12,704

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2003
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 258,841	\$ 170,138	\$ (21,823)	\$ 407,156
Costs and expenses:					
Cost of sales		202,459	141,110	(21,823)	321,746
Engineering, selling and administrative expense	3,897	34,815	20,044		58,756
Amortization expense		167	559		726
Restructuring		311	869		1,180
Total costs and expenses	3,897	237,752	162,582	(21,823)	382,408
Earnings (loss) from operations	(3,897)	21,089	7,556		24,748
Other income (expense):					
Interest expense	(12,077)	(503)	(1,083)		(13,663)
Management fee income (expense)	4,806	(4,806)			
Other income (expense), net	5,709	(3,950)	(2,097)		(338)
Total other income (expense)	(1,562)	(9,259)	(3,180)		(14,001)
Earnings (loss) from continuing operations before taxes on income (loss) and equity in earnings of subsidiaries and discontinued operations	(5,459)	11,830	4,376		10,747
Provision (benefit) for taxes on income	1,467	(3,179)	4,384		2,672
Earnings (loss) from continuing operations before equity in earnings of subsidiaries and discontinued operations	(6,926)	15,009	(8)		8,075
Equity in earnings of subsidiaries	14,124			(14,124)	
Earnings (loss) from continuing operations before discontinued operations	7,198	15,009	(8)	(14,124)	8,075
Discontinued operations:					
Loss from discontinued operations, net of income taxes		(222)	(655)		(877)
Net earnings (loss)	\$ 7,198	\$ 14,787	\$ (663)	\$ (14,124)	\$ 7,198

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2004
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated					
Net sales	\$	\$	940,799	\$	621,406	\$	(133,018)	\$	1,429,187	
Costs and expenses:										
Cost of sales			760,084		509,967		(133,018)		1,137,033	
Engineering, selling and administrative expense	15,514	105,291		79,814					200,619	
Amortization expense		511		1,822					2,333	
Restructuring		81		894					975	
Total costs and expenses	15,514	865,967		592,497		(133,018)			1,340,960	
Earnings (loss) from operations	(15,514)	74,832		28,909					88,227	
Other income (expense):										
Interest expense	(36,894)	(1,469)		(3,385)					(41,748)	
Management fee income (expense)	14,427	(14,427)								
Other income (expense), net	28,242	(15,135)		(12,841)					266	
Total other income (expense)	5,775	(31,031)		(16,226)					(41,482)	
Earnings (loss) from continuing operations before taxes on income (loss) and equity in earnings of subsidiaries and discontinued operations	(9,739)	43,801		12,683					46,745	
Provision (benefit) for taxes on income	(1,773)	8,206		5,720					12,153	
Earnings (loss) from continuing operations before equity in earnings of subsidiaries and discontinued operations	(7,966)	35,595		6,963					34,592	
Equity in earnings of subsidiaries	41,758					(41,758)				
Earnings (loss) from continuing operations before discontinued operations	33,792	35,595		6,963		(41,758)			34,592	
Discontinued operations:										
Loss from discontinued operations, net of income taxes	(66)	(847)		(662)					(1,575)	
Gain on sale of discontinued operations, net of income taxes				709					709	
Net earnings (loss)	\$	33,726	\$	34,748	\$	7,010	\$	(41,758)	\$	33,726

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2003
(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated	
Net sales	\$	\$	764,374	\$	\$	1,181,890
Costs and expenses:						
Cost of sales		598,307	410,983	(83,889)		925,401
Engineering, selling and administrative expense	12,478	105,684	66,175			184,337
Amortization expense		502	1,651			2,153
Restructuring		2,913	2,997			5,910
Total costs and expenses	12,478	707,406	481,806	(83,889)		1,117,801
Earnings (loss) from operations	(12,478)	56,968	19,599			64,089
Other expense:						
Interest expense	(39,185)	(1,737)	(2,758)			(43,680)
Management fee income (expense)	14,455	(14,455)				
Other income (expense), net	21,353	(12,319)	(9,340)			(306)
Total other expense	(3,377)	(28,511)	(12,098)			(43,986)
Earnings (loss) from continuing operations before taxes on income (loss) and equity in earnings of subsidiaries and discontinued operations	(15,855)	28,457	7,501			20,103
Provision (benefit) for taxes on income	6,472	(11,182)	9,938			5,228
Earnings (loss) from continuing operations before equity in earnings of subsidiaries and discontinued operations	(22,327)	39,639	(2,437)			14,875
Equity in earnings of subsidiaries	31,373			(31,373)		
Earnings (loss) from continuing operations before discontinued operations	9,046	39,639	(2,437)	(31,373)		14,875
Discontinued operations:						
Loss from discontinued operations, net of income taxes		(754)	(1,334)			(2,088)
Loss on sale of discontinued operations, net of income taxes		(262)	(3,479)			(3,741)
Net earnings (loss)	\$	\$	\$	\$	\$	\$
		9,046	38,623	(7,250)	(31,373)	9,046

The Manitowoc Company, Inc.
Condensed Consolidating Balance Sheet
as of September 30, 2004
(In thousands)

	Parent (as restated)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries (as restated)	Eliminations (as restated)	Consolidated (as restated)
Assets					
Current Assets:					
Cash and cash equivalents	\$ 20,148	\$ 1,517	\$ 30,972	\$	\$ 52,637
Marketable securities	2,242				2,242
Accounts receivable - net	213	90,044	129,760		220,017
Inventories - net		116,935	213,279		330,214
Deferred income taxes	15,685		58,619		74,304
Other current assets	399	28,476	18,207		47,082
Total current assets	38,687	236,972	450,837		726,496
Property, plant and equipment - net	11,933	164,501	155,174		331,608
Goodwill	5,434	246,897	185,867		438,198
Other intangible assets - net		41,788	103,957		145,745
Deferred income taxes	35,862		579		36,441
Other non-current assets	30,174	32,513	22,433		85,120
Investment in affiliates	503,470	119,394	210,625	(833,489)	
Total assets	\$ 625,560	\$ 842,065	\$ 1,129,472	\$ (833,489)	\$ 1,763,608
Liabilities and Stockholders Equity					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 45,026	\$ 217,949	\$ 240,173	\$	\$ 503,148
Current portion long-term debt	2,900		329		3,229
Short-term borrowings			17,859		17,859
Product warranties		19,156	13,565		32,721
Product liabilities		27,556	1,483		29,039
Total current liabilities	47,926	264,661	273,409		585,996
Non-Current Liabilities:					
Long-term debt, less current portion	543,504		19,316		562,820
Pension obligations	2,866	18,037	30,893		51,796
Postretirement health and other benefit obligations	54,398	14			54,412
Intercompany	(415,898)	(77,358)	222,569	270,687	
Other non-current liabilities	1,532	51,550	64,270		117,352
Total non-current liabilities	186,402	(7,757)	337,048	270,687	786,380
Stockholders equity	391,232	585,161	519,015	(1,104,176)	391,232
Total liabilities and stockholders equity	\$ 625,560	\$ 842,065	\$ 1,129,472	\$ (833,489)	\$ 1,763,608

The Manitowoc Company, Inc.
Condensed Consolidating Balance Sheet
as of December 31, 2003
(In thousands)

	Parent (as restated)	Subsidiary Guarantors	Non- Guarantor Subsidiaries (as restated)	Eliminations (as restated)	Consolidated (as restated)
Assets					
Current Assets:					
Cash and cash equivalents	\$ 11,816	\$ (100)	\$ 33,252	\$	\$ 44,968
Marketable securities	2,220				2,220
Accounts receivable - net	4,086	76,648	164,276		245,010
Inventories - net		89,103	143,774		232,877
Deferred income taxes	50,297		21,484	-	71,781
Other current assets	302	24,944	23,987		49,233
Total current assets	68,721	190,595	386,773		646,089
Property, plant and equipment - net	12,089	149,696	172,833		334,618
Goodwill	5,434	249,599	183,892		438,925
Other intangible assets - net		44,483	104,773		149,256
Deferred income taxes	12,906		21,585		34,491
Other non-current assets	26,370	8,397	22,003		56,770
Investment in affiliates	505,728	100,937	210,667	(817,332)	
Total assets	\$ 631,248	\$ 743,707	\$ 1,102,526	\$ (817,332)	\$ 1,660,149
Liabilities and Stockholders' Equity					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 17,649	\$ 202,917	\$ 233,828	\$	\$ 454,394
Current portion of long-term debt	2,900		305		3,205
Short-term borrowings			22,011		22,011
Product warranties		19,805	14,018		33,823
Product liabilities		29,145	2,646		31,791
Total current liabilities	20,549	251,867	272,808		545,224
Non-Current Liabilities:					
Long-term debt, less current portion	559,640		7,444		567,084
Pension obligations	12,467	14,309	30,463		57,239
Postretirement health and other benefit obligations		54,283			54,283
Intercompany	(332,026)	(113,823)	227,802	218,047	
Other non-current liabilities	14,626	9,362	56,339		80,327
Total non-current liabilities	254,707	(35,869)	322,048	218,047	758,933
Stockholders' equity	355,992	527,709	507,670	(1,035,379)	355,992
Total liabilities and stockholders' equity	\$ 631,248	\$ 743,707	\$ 1,102,526	\$ (817,332)	\$ 1,660,149

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2004
(In thousands)

	Parent	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operations	\$ 69,613	\$ (2,186)	\$ (23,185)	\$ (45,154)	\$ (912)
Cash Flows from Investing:					
Capital expenditures	(2,686)	(14,927)	(9,833)		(27,446)
Proceeds from sale of property, plant and equipment	40	11	6,451		6,502
Purchase of marketable securities	(22)				(22)
Intercompany investments	(46,559)	(8,397)	9,802	45,154	
Net cash provided by (used for) investing activities of continuing operations	(49,227)	(23,313)	6,420	45,154	(20,966)
Net cash provided by investing activities of discontinued operations			9,000		9,000
Net cash provided by (used for) investing activities	(49,227)	(23,313)	15,420	45,154	(11,966)
Cash Flows from Financing:					
Proceeds from (payments on) long-term debt	(17,709)		(143)		(17,852)
Proceeds from (retirements of) notes payable			8,259		8,259
Proceeds from notes financing		27,116			27,116
Exercises of stock options	5,656				5,656
Net cash provided by (used for) financing activities	(12,053)	27,116	8,116		23,179
Effect of exchange rate changes on cash			(2,632)		(2,632)
Net increase (decrease) in cash and cash equivalents	8,333	1,617	(2,281)		7,669
Balance at beginning of period	11,816	(100)	33,252		44,968
Balance at end of period	\$ 20,149	\$ 1,517	\$ 30,971	\$	\$ 52,637

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2003
(In thousands)

	Parent	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operations	\$ 33,844	\$ 43,041	\$ 47,512	\$ (30,670)	\$ 93,727
Cash Flows from Investing:					
Capital expenditures	(722)	(5,030)	(16,497)		(22,249)
Proceeds from sale of property, plant and equipment		91	10,618		10,709
Sale of marketable securities	153				153
Intercompany investments	43,175	(38,132)	(35,713)	30,670	
Net cash provided by (used for) investing activities of continuing operations	42,606	(43,071)	(41,592)	30,670	(11,387)
Net cash provided by investing activities of discontinued operations		2,289			2,289
Net cash provided by (used for) investing activities	42,606	(40,782)	(41,592)	30,670	(9,098)
Cash Flows from Financing:					
Proceeds from (payments on) long-term debt	(57,774)	(209)	2,789		(55,194)
Proceeds from (retirements of) notes payable	(2,000)				(2,000)
Debt issuance costs	(1,977)				(1,977)
Exercises of stock options	95				95
Net cash provided by (used for) financing activities	(61,656)	(209)	2,789		(59,076)
Effect of exchange rate changes on cash			1,925		1,925
Net increase (decrease) in cash and cash equivalents	14,794	2,050	10,634		27,478
Balance at beginning of period	2,650	(1,458)	26,843		28,035
Balance at end of period	\$ 17,444	\$ 592	\$ 37,477	\$	\$ 55,513

16. Business Segments

The total assets by segment table below has been restated for the impact of changes in foreign exchange rates on the company's goodwill and other intangible assets.

The company identifies its segments using the management approach, which designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the company's reportable segments. The company has three reportable segments: Cranes and Related Products (Crane), Foodservice Equipment (Foodservice), and Marine. Net sales and earnings from operations by segment are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net sales:				
Crane	\$ 305,716	\$ 247,572	\$ 890,108	\$ 715,071
Foodservice	122,592	122,700	361,563	354,704
Marine	62,841	36,884	177,516	112,115
Total	\$ 491,149	\$ 407,156	\$ 1,429,187	\$ 1,181,890
Earnings from operations:				
Crane	\$ 12,560	\$ 8,201	\$ 38,611	\$ 20,013
Foodservice	20,278	20,318	55,132	53,770
Marine	3,163	526	9,998	4,052
Total	36,001	29,045	103,741	77,835
Corporate expense	(4,673)	(4,297)	(15,514)	(13,746)
Interest expense	(14,283)	(13,663)	(41,748)	(43,680)
Loss on debt extinguishment	(481)		(1,036)	
Other income (expense), net	509	(338)	1,302	(306)
Earnings from continuing operations before taxes on income	\$ 17,073	\$ 10,747	\$ 46,745	\$ 20,103

Crane segment operating earnings for the three and nine months ended September 30, 2004 include amortization expense of \$0.8 million and \$2.3 million, respectively. Crane segment operating earnings for the three and nine months ended September 30, 2004 include charges of \$0.2 million and \$1.0 million, respectively, related to restructuring activities (see Note 10. Restructuring and Plant Consolidation). Crane segment operating earnings for the three and nine months ended September 30, 2003 include amortization expense of \$0.7 million and \$2.2 million, respectively. Crane segment operating earnings for the three and nine months ended September 30, 2003 include charges of \$1.2 million and \$5.9 million, respectively, related to restructuring activities (see Note 10. Restructuring and Plant Consolidation).

As of September 30, 2004 and December 31, 2003, the total assets by segment were as follows:

	September 30, 2004	December 31, 2003
Crane (as restated)	\$ 1,223,942	\$ 1,151,751
Foodservice	311,648	290,586
Marine	101,588	91,519
Corporate	126,430	126,293
Total (as restated)	\$ 1,763,608	\$ 1,660,149

Item 4 Controls and Procedures

Disclosure Controls and Procedures: The company maintains disclosure controls and procedures designed to ensure that information the company must disclose in its filings with the Securities and Exchange Commission is recorded, processed, summarized and reported on a timely basis. In connection with the initial preparation of this Quarterly Report on Form 10-Q, the company's management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, reviewed and evaluated the effectiveness of the company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this report (the Evaluation Date)). Based on that evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the company's Disclosure Controls and Procedures were effective in bringing to their attention on a timely basis material information relating to the company required to be included in the company's periodic filing under the Exchange Act.

In light of the material weakness in the company's internal controls over financial reporting discussed below (see Internal Controls Over Financial Reporting) and in connection with the preparation of this amendment to our report, management of the company, with the participation of the Chief Executive Officer and Chief Financial Officer, again reviewed and evaluated the effectiveness of the company's disclosure controls and procedures. In particular, they specifically assessed whether this material weakness in our internal controls over financial reporting had any implications with respect to the effectiveness of the company's disclosure controls and procedures. They determined that it is difficult to separate the material weakness in internal controls from the company's disclosure controls and procedures. Because of the material weakness described below, we have concluded that our disclosure controls and procedures were ineffective as of September 30, 2004. We have directed the implementation of the remedial steps described below to strengthen the effectiveness of the company's disclosure controls and procedures.

Internal Controls Over Financial Reporting. When the company first filed its Quarterly Report for the three-months ended September 30, 2004, we were engaged in a comprehensive effort to ensure compliance with Section 404 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2004. This effort included internal control documentation and review under the direction of senior management. At that point in the process, we had detected no material weaknesses in internal controls over financial reporting. Since that time, we have completed the comprehensive review of our internal controls over financial reporting, and as discussed in more detail in Note 1 to the company's Financial Statements we have determined that we misapplied Statements of Financial Reporting Statement Number 52 (SFAS No. 52) to our 2001 and 2002 foreign acquisitions by failing to translate from period to period the goodwill and intangible assets associated with those acquisitions to reflect changes in applicable foreign currency exchange rates. We therefore are restating the company's financial statements in this amendment to our report to correct the error that resulted from the misapplication of SFAS No. 52. (See Note 1 to the company's Financial Statements included in Part I - Item 1 of this Amendment.) We intend to report this error as a material weakness in the company's internal controls for financial reporting in the Annual Report on Form 10-K for the year ended December 31, 2004.

To assure similar misapplications of SFAS No. 52 do not occur in the future, we have notified appropriate internal accounting personnel by memo of the appropriate application of SFAS No. 52 to these situations, and we plan to conduct follow-up training of those personnel regarding the appropriate accounting treatment of foreign exchange rates in connection with the preparation of the company's financial statements.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: See exhibit index following the signature page of this Report, which is incorporated herein by reference.

(b) Reports on Form 8-K: The company filed the following Current Reports on Form 8-K during the quarter ended September 30, 2004:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 14, 2005

The Manitowoc Company, Inc.
(Registrant)

/s/ Terry D. Growcock
Terry D. Growcock
Chairman and Chief Executive Officer

/s/ Carl J. Laurino
Carl J. Laurino Senior Vice President and
Chief Financial Officer

/s/ Maurice D. Jones
Maurice D. Jones
Senior Vice President, General Counsel and
Secretary

**THE MANITOWOC COMPANY, INC.
EXHIBIT INDEX
TO FORM 10-Q/A Amendment No. 1
FOR QUARTERLY PERIOD ENDED
September 30, 2004**

Exhibit No.*	Description	Filed/Furnished Herewith
31	Rule 13a - 14(a)/15d - 14(a) Certifications	X (1)
32.1	Certification of CEO pursuant to 18 U.S.C. Section 1350	X (2)
32.2	Certification of CFO pursuant to 18 U.S.C. Section 1350	X (2)

(1) Filed Herewith

(2) Furnished Herewith

Pursuant to Item 601(b)(2) of Regulation S-K, the Registrant agrees to furnish to the Securities and Exchange Commission upon request a copy of any unfiled exhibits or schedules to such document.